



April 24, 2006

Coyote Valley Specific Plan Task Force

Re: Comments on the Draft Fiscal Analysis for Coyote Valley

Dear Members of the CVSP Task Force:

The Committee for Green Foothills submits the comments below on the Draft Fiscal Analysis for Coyote Valley. While our comments focus on the specifics of the analysis, we must not forget the central issue involved in Coyote Valley – that it's a developer proposal to convert crucial farmland to unneeded office space, while making our housing situation worse. The "alternative scenarios" that attempt to launch housing first while waiting for jobs later just defeat the central purpose of this project, while doing nothing about the ultimate problem of making the housing situation worse. Analyses of issues like finances cannot overcome this central problem, that developing Coyote Valley would be an unnecessary mistake.

Our comments include the following:

The analysis excludes considerations of costs to other agencies funded by San Jose taxpayers. For example, providing health care services to uninsured people in Coyote Valley will increase costs for Santa Clara County, and approximately half of the County taxpayers are San Jose residents. Costs to VTA and school districts have also been overlooked.

Keeping triggers while adding 2:1 concurrence was not analyzed. For the last year, environmentalists said that a carefully managed 2:1 match of jobs to housing would be appropriate AFTER the 5,000 jobs trigger was reached. This would keep the housing matched with jobs so people living in Coyote would be more likely to be working there, and establish an appropriate policy that the City should not develop farmland when it doesn't have to. This would be the most environmental scenario short of not developing Coyote, but was never analyzed.

Negative fiscal effects from "cannibalizing" retail sales away from San Jose were omitted. The figure of 1.6 million square feet of retail needs to be justified relative to 15.7 million feet for office space. A large figure for retail creates suspicions that the figure was used to improve the fiscal picture for Coyote. This creates two risks: first, that sales will not reach the assumed level, and second, that some of the sales will result from retail businesses relocating from San Jose to Coyote, or from customers who would have otherwise purchased retail products in San Jose. The 25% net benefit stated in the report (Draft at 35) needs to be justified in light of these issues.

Negative fiscal effects from cannibalizing office space were omitted. Over the last year, Committee for Green Foothills has pointed out the risk that the concurrency scenarios would subsidize businesses to locate or relocate away from San Jose and into Coyote. Enough businesses locating at Coyote will mean that high-profit housing can happen. A Coyote Valley developer that owns both residential and office zoned land (or two developers working together) has an incentive to significantly undercharge the costs of office space in Coyote so they can profit off the resulting housing market. The fiscal effects would be to reduce tax revenue from elsewhere in San Jose, as well as many other negative economic impacts to the rest of San Jose. These effects need analysis and are more likely unless concurrency is carefully managed, so that large job-creation triggers in place to deter this strategy. Scenarios 1 and 4 are particularly risky.

Assumptions about property tax revenue are unrealistic. The analysis relies heavily on steadily increasing property tax revenue to achieve an eventual surplus, and it has three flaws: first, the 20-year trend line used to justify a post-inflation real growth of 3% annually is skewed by the significant housing bubble over the last 5-10 years. If one

made a similar analysis of 20-year trends for the NASDAQ market from 1980-2000, the result would have no resemblance to the current market. Incorporating a bubble into your fiscal analysis is a mistake.

Second, no comparison is made between the 3% growth figure and median household income increases in San Jose. The Draft should obtain the figure for household income in San Jose – it would be surprising if the post-inflation figure kept up with 3%. We suggest the City ask any economist whether the percentage increase in the cost of housing can substantially exceed the percentage increase in household income for 60 years.

Third, no market correction analysis was conducted, to consider realistic worst-case scenarios if the housing bubble bursts. A fiscal analysis should be done to determine the revenue scenarios assuming a substantial drop in housing prices, a period of stagnation, and then a return to a steady rise.

Present value of the \$1.2 million annual costs for lake maintenance should be calculated. This is a lot of money that could be spent elsewhere, and the lake area could be used primarily for athletic fields and secondarily as flood storage, eliminating the stated need for playing fields north of Tulare Hill. City staff had previously told us that the commercial amenity value of the lake would exceed its cost; this statement needs justification.

Details on housing can better define the extent that Coyote Valley will worsen our housing crisis. While not a criticism of the Draft, we note that Table 5 (Draft p. 21) breaks out the numbers for each housing type and persons per household. Rather than use the County average of 1.7 employed persons per household, this breakdown could be used to figure out how many employed people will reside in Coyote, contrast that to how many people will be induced to work there, and then determine what is the net increase in housing demand. We additionally note that the figure of 52,000 jobs in Table 4 seems like a significant underestimate compared to past estimates of non-industry leading jobs that will be generated as a result of construction in Coyote Valley.

These are just initial comments; we have had little time to review the document. We hope to send additional comments later.

Please contact us if you have any questions.

Sincerely,



Brian A. Schmidt
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